



CITY OF LODI COUNCIL COMMUNICATION

AGENDA TITLE: Adopt Resolution Authorizing the City Manager to Enter into a Letter of Agreement between the City of Lodi and CertainTeed Corporation for the Sale of Designated Municipal Electric Distribution Facilities (\$78,842.50)

MEETING DATE: December 15, 2010

PREPARED BY: Electric Utility Director

RECOMMENDED ACTION: Adopt a resolution authorizing the City Manager to enter into a Letter of Agreement between the City of Lodi and CertainTeed Corporation for the sale of designated municipal electric distribution facilities (\$78,842.50).

BACKGROUND INFORMATION: CertainTeed Corporation is served from four Electric Utility Department transformers on the north side of its plant. Meters of three of the transformers are aggregated in billing with an existing primary-metered account at the south end of their facility. The fourth north-side transformer is billed separately at a secondary voltage rate.

The customer has chosen to purchase the four north-side transformers in accordance with EUD rules and regulations, and be assigned to the I1-primary utility rate tariff. Under the agreement, CertainTeed would buy the existing underground secondary distribution equipment, including four transformers, and associated metering equipment. CertainTeed will pay the EUD \$78,842.50 for the existing facilities and for EUD labor, materials and equipment to install the new primary meter. CertainTeed will become responsible for future maintenance and replacement of the transferred equipment and its electrical losses.

The proposed arrangement conforms to past practice and City Council-approved Electric Rules and Regulations. Over the past several years, the City **has** engaged in similar primary-metered projects with Lodi Iron Works, Ralcorp/Cottage Bakery, Scientific Specialties Incorporated, and Schaefer Systems International.

It is anticipated that this project would be completed by February 15, 2011.

FISCAL IMPACT: The initial sale of facilities and services will result in \$78,842.50 of revenue to the EUD. The primary rate is approximately 4 percent lower than the secondary rate; however, this lower rate is offset for EUD by reduced energy losses, maintenance and replacement expenses. Net fiscal impact is insignificant to EUD.

FUNDING: Not applicable.

APPROVED: 
Konradt Bartlam, City Manager

Adopt a Resolution Authorizing the City Manager to Enter into a Letter of Agreement between the City of Lodi and CertainTeed Corporation for the Sale of Designated Municipal Electric Distribution Facilities (\$78,842.50) (EUD)
December 15, 2010
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Elizabeth A. Kirkley
Electric Utility Director

Prepared By: Rob Lechner, Manager, Customer Service & Programs

EK/RSL/lst

LETTER OF AGREEMENT: SALE OF MUNICIPAL FACILITIES

BETWEEN

THE CITY OF LODI

AND

CERTAINTEED CORPORATION

This Letter of Agreement (LOA) is between the City of Lodi (COL) and CertainTeed Corporation (CC). By way of this signed LOA, CC agrees to purchase and maintain designated electric utility facilities as identified on the attached Appendix A.

In summary, CC will purchase designated underground electric distribution facilities located at the customer's plant site of 300 S. Beckman Road, as well as four **(4)** padmount transformers. Three of these transformer are adjacent to one another at the north end of the CC facility, and the fourth transformer is located at the northwest corner of the CC facility. In addition, CC agrees to purchase all necessary primary metering equipment and compensate the COL for all required labor costs to install said equipment.

In purchasing the aforementioned equipment (transformers and underground electric distribution facilities) CC also agrees that, henceforth, CC becomes responsible for said equipment and to pay for all maintenance, repairs and replacements necessary for maintaining said equipment in good and safe working condition, and CC becomes responsible for any electrical losses within the designated electric utility facilities. When project is completed, the utility account(s) impacted by this project will be billed at primary-metered utility rate.

The total purchase price of the equipment and associated labor costs listed on Appendix A is in the amount of \$78,842.50. *Note: in the event that the labor required to perform this project occurs after COL operating hours (7:00am to 4:30pm, Monday through Friday, excluding holidays and weekends), CC will be charged any/all additional labor costs above and beyond the costs identified on Appendix A.*

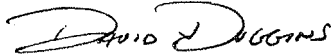
CC agrees to compensate the COL for the total amount listed in the LOA prior to completion of said project.

IN WITNESS WHEREOF, the parties hereto have entered into this Letter of Agreement dated December 1, 2010.

CERTAINTEED CORPORATION.

By: 

Title: Plant Manager


DAVID J. DUGGINS

CITY OF LODI

By: _____

Konradt Bartlam
Interim City Manager

ATTEST:

Randi Johl, City Clerk

APPROVED AS TO FORM:

D. Stephen Schwabauer
City Attorney



APPENDIX ' A

| | | | |
|--|-------------|-------------|-------------|
| Purchase existing plant & install additional facilities | \$1,891.00 | \$1,294.60 | \$596.40 |
| Purchase four (4) padmount transformers | \$95,156.00 | \$21,410.10 | \$73,745.90 |
| Labor and material costs to install primary metering equipment | \$2,219.20 | | \$4,500.20 |
| Total | | | \$78,842.50 |

Depreciation for overhead material (OHM) based on 40 years service life.

Depreciation for padmount transformer based on 30 years service life.

The scope of work includes, but is not limited to:

- 1) Lower existing Primary facilities.

APPENDIX 'B'

SALE OF FACILITIES WORKSHEET

Transformer(s):

| City Number | Year Installed | New Value | Current Year | Current Value | Totals |
|-------------|----------------|-------------|--------------|---------------|-------------|
| P1405 | 1998 | \$23,789.00 | 2010 | \$14,273.40 | |
| P1508 | 2009 | \$23,789.00 | 2010 | \$22,996.03 | |
| P1819 | 2010 | \$23,789.00 | 2010 | \$23,789.00 | |
| P1230 | 1996 | \$23,789.00 | 2010 | \$12,687.47 | \$73,745.90 |

Primary Metering:

| Year Installed | New Value | Current Year | Current Value | |
|----------------|-----------|--------------|---------------|-------------|
| 1996 | \$ 4,161 | 2010 | \$ 2,219.20 | \$ 2,219.20 |

Underground Cable:

| Feet of Cable | Size | Year Installed | New Value Price/ft. | Current Year | Current Value | |
|---------------|--------------|----------------|---------------------|--------------|---------------|-----------|
| 900 | #2 XLP CONC. | 1996 | \$ 1.42 | 2010 | \$ 596.40 | \$ 596.40 |

New Labor/Materials:

\$
2,281.00

Total Cost For
Facility:

\$78,842.50

RESOLUTION NO. 2010-216

A RESOLUTION OF THE LODI CITY COUNCIL AUTHORIZING THE CITY
MANAGER TO ENTER INTO A LETTER OF AGREEMENT BETWEEN THE
CITY OF LODI AND CERTAINTEED CORPORATION FOR THE SALE OF
DESIGNATED MUNICIPAL ELECTRIC DISTRIBUTION FACILITIES

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WHEREAS, CertainTeed Corporation (CertainTeed) currently has four utility transformers located at the north end of its facility, three of which are aggregated for billing purposes with a meter on the south side of the plant with the fourth north-side transformer billed separately at the secondary utility rate; and

WHEREAS, the City of Lodi Electric Utility Department (EUD) has recommended, and CertainTeed agrees, that CertainTeed purchase all four north-side transformers and have this load aggregated under a primary metered utility rate; and

WHEREAS, CertainTeed will pay the City of Lodi EUD \$78,842.50 for said facilities and EUD labor, materials, and equipment to install the new meter and make necessary upgrades; CertainTeed will become responsible for maintenance and replacement of the transferred equipment and its electrical losses; and

WHEREAS, the proposed arrangement conforms to past practice and City Council-approved Electric Rules and Regulations; and

WHEREAS, staff recommends entering into a Letter of Agreement with CertainTeed for the facilities and upgrades as outlined above, thus allowing staff to order the required primary metering equipment and related materials.

NOW, THEREFORE, BE IT RESOLVED that the Lodi City Council does hereby authorize the City Manager to enter into, and the Electric Utility Director to administer, a Letter of Agreement between the City of Lodi and CertainTeed Corporation for the sale of designated municipal electric distribution facilities and the installation of primary metering in the amount of \$78,842.50.

Dated: December 15, 2010

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I hereby certify that Resolution No. 2010-216 was passed and adopted by the City Council of the City of Lodi in a regular meeting held December 15, 2010, by the following vote:

AYES: COUNCIL MEMBERS – Hansen, Mounce, Nakanishi, and
Mayor Johnson

NOES: COUNCIL MEMBERS – None

ABSENT: COUNCIL MEMBERS – Katzakian

ABSTAIN: COUNCIL MEMBERS – None


RANDI JOHL
City Clerk